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OUTLOOK

FOR THE ECONOMY AND REAL ESTATE

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U.S. ECONOMIC AND REAL ESTATE OUTLOOK

Summary

Overall, 1984 should continue the record strong growth in economic activity as the recovery from the recent recession enters its second year. Gross National Product--the nation's output of all goods and services--is expected to increase by nearly 5 percent in 1984. Employment should improve with nearly 4 million new jobs created in 1984. Despite an overall recovery, inflation is forecast to rise only moderately to 6 to 7 percent in 1984 and 1985. All this good news goes well with the incumbent public officials' standing in the next election.

However, in some sectors of the economy, the strength of the upturn will be below the average of past recoveries. Residential real estate activity will improve only slightly in 1984 as long-term interest rates remain high. Resales of single-family homes are expected to be just under 3 million units this year or more than a million units below normal levels. New home construction will maintain last year's fairly robust pace of 1.7 million units--still below the 2 million plus units needed to satisfy the underlying demand for housing. Business investments and exports will similarly fail to reach the levels necessary to sustain a strong inflation-free recovery. The culprit for this sub-par performance in investment in housing, equipment, structures and exports continues to be high long-term interest rates in the current climate of low inflation. These high interest rates in turn are due to the continued prospects for record federal deficits even as the economic activity expands and the consequent need for restraining monetary policy.

Aggregate Economy

The recovery is now maturing and, as expected, the rate of economic growth is slowing. In its "flash estimate" the Commerce Department predicts that real or inflation-adjusted Gross National Product (GNP) increased just 4.5 percent during the fourth quarter of 1983, down from 7.6 percent during the third quarter. This trend towards slower growth is likely to continue throughout 1984, falling to the 2 to 3 percent range by the fourth quarter of next year. The more modest growth for 1984 will reflect only modest growth in investment in housing and business, which typically spurs the economy in the latter stages of recovery. High interest rates are changing the composition of growth--more consumption and less increase in capacity to grow in the future. However, overall, 1984 should be a prosperous year with real GNP a full 5 percent above the 1983 levels.

Consumer spending and business inventory accumulation continue to make the largest contribution to GNP growth at this point in the recovery. Overall, consumption expenditures are expected to have increased 5 percent during the fourth quarter of 1983 due primarily to strong sales of automobiles. Total retail sales of new passenger cars during the fourth quarter are estimated at a seasonably adjusted annual rate of 9.9 million units (7.4 million domestic, 2.4 million imported), up from a 9.3 million rate during the third quarter (6.9 million domestic, 2.3 million imported). Inventory accumulation during the fourth quarter proceeded at a $26 billion annual rate, up from $9 billion during the third quarter. In fact, during the fourth quarter inventory accumulation alone contributed about one-third of the increase in GNP.

While retail sales of new passenger automobiles should rise to an annual rate of 10.5 million units (8.1 million domestic, 2.4 million imported) by the fourth quarter of 1984, growth in total consumption expenditures and inventory accumulation will slow significantly during 1984. By the fourth quarter, growth in consumption expenditures is expected to be down to the 2 to 3 percent range while inventory accumulation should be down to an annual rate of $23 billion. This slow-down in consumption growth is normal for this stage of the recovery as income growth slows and the personal savings rate climbs to more normal levels.

Residential investment is essentially stalled at current levels as mortgage rates have plateaued at 13.5 percent. Modest declines in mortgage rates should boost residential investment by just under 10 percent in 1984 compared to growth of nearly 40 percent in 1983. The increase in interest rates during the early stages of this recovery has virtually exhausted the contribution of residential investment to economic growth.

The primary cause of the much steeper than normal decline in real GNP growth expected for 1984 is the weak growth in residential and nonresidential investment. Moreover, current economic conditions favor investment in short-lived assets over long-lived assets. Because of high real interest rates and low levels of utilization of existing capacity, investment in nonresidential structures should remain particularly weak in 1984, increasing a modest 5 percent. In contrast, business investment in new equipment is expected to increase nearly 11 percent in 1984 compared to an increase of just under 4 percent for 1983.

Despite the modest recovery of the world economy currently underway, U.S. export growth is expected to be modest in 1984. The U.S. dollar's trade-weighted exchange value is now about 30 percent above its 1980 level, equivalent to imposition of a 30 percent sales tax on exports, severely reducing the competitiveness of U.S. products in world markets. As the recovery has boosted demand for imports, the merchandise trade deficit has worsened from $35 billion in 1982 to an estimated $60 billion for 1983 and is expected to rise to $75 to $100 billion in 1984.

Rapid job creation at this stage of the recovery has produced spectacular declines in the unemployment rate in recent months. The unemployment rate for civilian workers declined 0.5 percentage points in November to 8.4 percent. Employment growth should be more modest through 1984 with the unemployment rate falling to a low 8.0 percent by the fourth quarter. In 1985 the unemployment rate should begin to increase due to the slower growing economy.

Inflation continues to run below 5 percent but promises to accelerate in 1984 and 1985. In November the Consumer Price Index (CPI) rose just 0.3 percent, the smallest monthly increase since June. For all of 1983 the CPI should rise just 3.2 percent, the lowest annual increase since 1967. However, as the economy achieves a higher overall level of utilization, labor costs should begin to rise faster than productivity, leading to larger increases in the prices of products and services. Inflation should rise to 6 percent in 1984 and 7 percent in 1985.

Monetary Policy and Interest Rates

Interest rates remained essentially unchanged during the last two months of 1983. While credit demand was relatively weak, suggesting that interest rates could have fallen, credit markets remained very uncertain over the policy stance of the Federal Reserve Board (FED). It appears that the Fed's primary objective is to prevent an acceleration of inflation, even if it means further restricting

the growth of the money supply and thereby raising interest rates. However, the news that both economic growth and inflation were lower during the fourth quarter than most analysts had anticipated suggests that no further tightening of credit is needed. In fact, the Fed now has room to be somewhat more accomodative during the next six months.

Table 1

Compound Annual Rates of Growth of
Alternative Measures of the Money Supply

	Narrowly Defined Money Stock M1	M2	M3
1983			
July	9.3%	6.6%	5.7%
August	2.8%	6.2%	8.7%
September	0.9%	4.7%	7.4%
October	1.9%	9.7%	8.9%
November^{P}	0.7%	8.1%	13.3%
FED Targets	5-9% a/	7-10% a/	6.5-9.5% b/
1984			
Forecast	5.5%	8.4%	8.8%

P Preliminary
a/ For the period from 83:2 to 83:4.
b/ For the period from 82:4 to 83:4.
M1 Represents the sum of currency, checkable deposits and traveller's checks.
M2 Equals M1 plus savings and small time deposits, Eurodollar balances, overnight RPs and MMMF balances.
M3 Equals M2 plus large time deposits and term RPs.

During the first half of 1984 the Fed will probably ease its stance somewhat, allowing the money supply to increase to the upper end of its target ranges. This, along with relatively weak private credit demand, should cause interest rates to decline modestly during the first six to nine months of the year. The mortgage commitment rate may drop from its current level of 13.5 percent to just under 13.0 percent by the third quarter of 1984. Short-term rates should also drop about half a percentage point over this period.

However, beginning in the last quarter of 1984 and through 1985 interest rates are expected to increase. Accelerating inflation should lead the Fed to again restrict the growth of the money supply while private credit demand increases.

Real Estate Markets

Sales of existing single-family homes rose 0.8 percent in November to a seasonally adjusted annual rate of 2,630,000 units. November sales were 10.5 percent below the 1983 peak rate reached in June. The NAR Affordability Index

rose C.2 percentage points in November to 84.9 due to gains in family income. Housing starts increased 6.4 percent in November to a seasonally adjusted annual rate of 1,756,000 but remained 7.8 percent below the October level.

With 11 months data in and little, if any, changes in mortgage interest rates foreseen, it looks as though a total of 2,600,000 existing single-family homes will have changed hands during 1983, an increase of 36 percent over the 1982 level. Rising incomes and modest declines in mortgage interest rates should enhance affordability in 1984, boosting sales of existing homes to the 2.9-3.0 million unit level. The Affordability Index should average 87 for 1984, up from 83 for 1983. However, rising mortgage rates and a much reduced level of economic growth should cause resales to retreat to 2.7 million units in 1985.

Similarly, a total of 1.7 million housing units should be started for all of 1983, an increase of 60 percent over the 1982 level. Starts should increase slightly about 2 percent to 1.73 million units in 1984, with growing inventories of unsold homes restraining the increase in starts somewhat. In 1985 starts are expected to drop 6 percent to 1.6 million units.

The serious affordability problem posed by high interest rates is restraining price increases of existing homes. For all 1983, the median price of existing single-family homes sold should rise just 3.3 percent to $69,900, about equal to the overall rate of inflation for the year. In 1984 the median price of resales should rise a little over 6 percent. However, in 1985 the rate of price increase should fall back to between 5 and 6 percent, somewhat lower than the inflation rate. The median price of new single-family homes sold should rise by 11 percent for all of 1983 and similarly rise during 1984, much faster than inflation.

After a poor 1983, nonresidential construction activity should rebound in 1984. Overall nonresidential investment declined by 7 percent in 1983 primarily as the result of a collapse in industrial construction. Boosted by a significant improvement in capacity utilization in manufacturing, slow growth in construction costs and an improving economy, nonresidential investment in 1984 is expected to increase just over 5 percent. Only continued high long-term interest rates will prevent a recovery of activity back to 1982 levels.

Commercial construction continued to improve during the fourth quarter of 1983. The office vacancy rate should have peaked during the fourth quarter at a record high 11.9 percent and should fall during 1984 as the vacant space is absorbed in an expanding economy. The large supply of new vacant office space, however, is expected to restrain new office construction next year in most areas.

After an expected decline of 3 percent in 1983, the value of new commercial building construction put in place should rise 13 percent in 1984 and 15 percent in 1985.

Industrial construction also continued to improve during the fourth quarter of 1983, but the rebound will be relatively modest. After the disastrous decline of 22 percent for all of 1983, the value of industrial construction put in place should rise 5 percent in 1984 and 11 percent in 1985. Construction activity is forecast to be strongest next year in the transportation sectors--particularly for motor vehicles and parts--fabricated metals, food and paper industries.

Table 2

U.S. ECONOMIC OUTLOOK

JANUARY 1984

	QUARTERS								YEARS				
	Actual		Forecast						Actual	Forecast			
	83:2	83:3	83:4	84:1	84:2	84:3	84:4	85:1	1982	1983	1984	1985	1986
AGGREGATE ECONOMY													
Gross National Product ($ billions)	3,272	3,360	3,444	3,537	3,624	3,705	3,787	3,850	3,073	3,312	3,663	3,953	4,227
Percent Change	13.3	11.2	10.4	11.2	10.2	9.3	9.1	6.9	4.0	7.8	10.6	7.9	6.9
Percent Change (without inflation)	9.7	7.6	5.5	4.7	4.1	3.3	2.5	1.1	-1.9	3.4	5.1	2.0	0.9
Consumption	10.0	3.0	5.0	4.3	4.0	3.6	2.4	1.6	1.4	4.3	4.3	2.2	0.9
Durables	32.6	6.2	17.9	8.3	7.1	7.3	1.2	-1.7	-0.9	12.0	10.2	1.6	-0.9
Nondurables	6.4	3.6	2.0	2.9	3.0	2.5	2.2	1.9	0.5	3.1	3.0	1.9	0.8
Services	6.4	1.5	3.5	4.0	3.7	3.2	2.9	2.6	2.9	2.8	3.5	2.7	1.5
Residential Investment	78.6	30.3	-4.8	4.8	1.5	13.7	7.9	-2.5	-15.3	38.8	9.7	-1.0	-3.0
Nonresidential Investment	8.0	16.4	10.4	8.0	7.2	6.6	6.2	5.2	-4.7	0.2	9.0	5.4	1.9
Structures	-14.9	9.0	6.8	6.3	6.1	6.1	5.5	5.0	1.8	-7.1	5.1	4.5	-0.2
Equipment	19.8	19.4	12.1	8.7	7.6	6.9	6.5	5.3	-7.5	3.7	10.6	5.8	2.7
Exports	- .2	13.6	4.9	2.5	2.4	1.3	1.8	2.7	-7.8	-5.6	3.7	2.8	3.0
Imports	26.6	21.9	8.5	8.2	8.4	7.6	5.8	3.3	1.4	6.4	10.6	4.6	2.3
Government Purchases	-1.1	5.2	-2.2	8.1	4.6	3.3	2.6	-2.4	1.8	0.7	3.6	1.5	1.3
Consumption (% of GNP)	66.3	65.5	65.5	65.4	65.4	65.4	65.4	65.5	65.3	65.9	65.4	65.6	65.5
Residential Investment (% of GNP)	3.4	3.6	3.5	3.5	3.5	3.6	3.6	3.6	2.5	3.4	3.6	3.5	3.4
Nonresidential Investment (% of GNP)	10.7	10.9	11.0	11.1	11.2	11.3	11.4	11.5	11.2	10.8	11.2	11.6	11.7
Inventory Change ($ billions)	-14.5	8.7	26.2	24.8	27.5	24.1	22.9	23.2	-24.6	-4.7	24.8	17.8	14.3
Mfg. Capacity Utilization Rate (%)	74	77	79	81	81	81	81	81	71	75	81	81	79
Auto Sales (millions of units)	9.2	9.3	9.9	10.1	10.3	10.5	10.5	10.3	8.0	9.2	10.4	10.3	10.1
Manufacturing Industrial Production (% change)	21.0	22.2	14.0	8.0	3.7	2.4	1.0	0.1	-8.5	8.0	5.4	1.2	-0.1
Common Market	0.9	2.5	3.2	3.0	-4.4	0.4	1.1	3.9	-1.7	0.7	1.0	1.5	1.2
Japan	5.8	11.8	5.8	11.0	-1.0	2.4	3.6	7.5	0.4	2.9	5.9	4.6	1.6
Employment (millions)	99.9	101.6	102.3	103.2	104.1	104.8	105.4	105.9	99.5	100.7	104.4	106.4	107.5
Unemployment Rate (%)	10.1	9.4	8.5	8.3	8.2	8.1	8.0	8.1	9.7	9.6	8.2	8.3	8.9
Disposable Income per Household (average)	28,526	29,227	29,916	30,721	31,319	31,923	32,571	33,232	27 206	28,926	31,634	34,063	36,082
Percent Change -- Year Ago (w/o inflation)	1.2	3.1	4.1	4.9	4.8	3.7	2.9	2.1	-0.4	2.3	4.1	1.8	0.0
Total Taxes per Household (average)	14,025	14,078	14,407	14,678	14,986	15,306	15,596	15,866	13,205	13,998	15,142	16,219	17,555
Percent Change -- Year Ago	5.8	6.6	8.8	8.9	6.9	8.7	8.3	8.1	0.1	6.0	8.2	7.1	8.2
Percent of Disposable Income	49.2	48.2	48.2	47.8	47.9	47.9	47.9	47.7	48.5	48.4	47.9	47.6	48.7
Household Debt as Percent of Disposable Income	79.1	79.0	79.5	79.4	79.8	80.2	80.6	81.0	78.1	79.0	80.0	81.7	83.8
Consumer Price Inflation (CPI)	4.2	4.8	5.0	6.5	6.8	6.8	6.9	6.8	6.2	3.2	6.0	6.6	7.0
Gross National Product Inflation (GNP Deflator)	3.3	3.3	4.6	6.2	5.9	5.8	6.4	5.8	6.0	4.2	5.3	5.8	6.0
Personal Consumption Inflation	4.6	3.6	4.0	5.6	5.7	5.9	6.1	6.0	5.8	3.9	5.1	5.8	5.9
Residential Construction Inflation	-2.2	8.4	5.7	6.4	7.9	8.1	8.5	7.8	2.8	2.7	6.6	7.6	6.8
Nonresidential Construction Inflation	-0.5	-0.6	2.7	5.9	6.6	7.5	7.6	7.0	4.7	-0.7	4.5	7.0	6.9
Producers Price Inflation (WPI)	0.9	4.3	5.6	5.2	5.8	6.5	6.9	8.0	2.0	1.4	5.3	7.0	7.6
Compensation per Manhour (% change)	4.3	4.5	6.3	10.0	8.7	8.9	9.1	7.0	7.9	5.8	7.8	7.5	6.7
Productivity (% change)	6.4	5.1	2.4	2.6	2.4	1.9	1.6	1.3	0.0	3.4	2.9	1.4	0.8
Unit Labor Cost (% change)	-2.3	-0.3	3.8	7.3	6.2	6.9	7.3	5.7	7.9	2.3	4.8	6.0	5.9
Unit Capital Cost (% change)	7.5	6.6	5.9	5.4	5.1	4.9	4.7	4.6	9.8	7.1	5.0	4.5	4.6
Before Tax Corporate Profits ($ billions)<1>	213	236	244	260	262	264	267	262	190	219	263	268	261
Corporate Tax Liability	76	85	87	94	94	94	95	92	59	77	94	93	86
'Windfall Profits' Tax Receipts	10	9	11	11	12	11	11	12	16	11	11	12	13
After Tax Profits	127	142	145	155	157	158	160	158	115	131	157	163	162
Inventory Valuation Adjustment	-11	-19	-20	-21	-24	-27	-30	-35	-8	-13	-26	-34	-38
Capital Consumption Adjustment	26	38	42	46	48	49	49	53	-1	30	48	53	54
Profits from Current Production (with IVA, CCA)	142	161	167	180	181	180	179	176	106	148	180	182	179
Adjusted for Inflation (82:1 base)	135	151	155	165	163	160	157	152	104	139	161	154	143
Percent Change - Year Ago	29.6	43.8	48.5	43.2	21.1	5.7	1.0	-7.7	-8.9	33.9	15.9	-4.4	-7.3
Per Unit of Output (% of GNP)	4.3	4.8	4.8	5.1	5.0	4.8	4.7	4.6	3.4	4.4	4.9	4.6	4.2
Effective Corporate Tax Rate (%)<1>	35	35	35	35	35	35	35	35	37	35	35	34	33
Federal Tax Receipts (Unified basis)	666	629	599	601	774	681	641	651	609	613	674	734	830
Federal Expenditures (Unified basis)	783	777	824	862	872	830	906	943	740	797	867	953	1,068
Surplus or Deficit (Unified basis)	-117	-148	-226	-261	-97	-149	-265	-293	-131	-184	-193	-219	-237
% of GNP	3.6	4.4	6.6	7.4	2.7	4.0	7.0	7.6	4.2	5.6	5.3	5.5	5.6
% of Personal Savings	127.6	127.9	177.4	183.5	69.1	106.6	179.7	181.6	106.1	158.3	134.7	128.9	127.1
% of Total Private Savings	21.8	25.3	37.4	41.1	15.2	23.1	40.3	43.2	25.0	32.4	29.9	31.1	31.5

<1> Adjusted to include impact of windfall profits tax on domestic crude oil production.

Source: Model developed by the NATIONAL ASSOCIATION OF REALTORS, and Data Resources, Inc.
Assumptions and simulations by Dr. Jack Carlson, Hugh Graham, Kenneth Kerin, and Dick Peach.

Table 3

REAL ESTATE AND FINANCIAL MARKETS — JANUARY 1984

	QUARTERS								YEARS				
	Actual		Forecast						Actual	Forecast			
	83:2	83:3	83:4	84:1	84:2	84:3	84:4	85:1	1982	1983	1984	1985	1986
REAL ESTATE MARKETS													
Existing Single-Family Home Sales (thousands)	2,857	2 747	2,630	2,872	2,956	3 052	2,951	2,841	1,987	2,704	2,958	2,734	2,568
Percent Change - Year Ago	46.3	45.1	23.3	11.2	3.5	11.1	12.2	-1.1	-17.8	36.1	9.4	-7.6	-6.0
Dollar Volume (billions)	235.9	231.0	215.7	242.2	253.0	267.7	252.7	249.2	159.7	222.8	253.9	244.4	239.0
Existing Home Prices - Median ($1000's)	69.8	71.2	70.0	72.5	73.9	76.1	74.5	76.5	67.7	69.9	74.2	78.2	81.7
Percent Change - Year Ago	2.5	4.0	4.2	6.0	5.9	6.8	6.1	5.5	2.3	3.3	6.2	5.3	4.5
Monthly Mortgage Payment (P&I, 80%, 30 yr.)	619	662	638	663	654	659	658	681	754	638	658	710	760
Percent of Household Income	22	23	22	22	21	21	21	21	28	23	21	21	22
NAR Affordability Index	82.0	81.8	86 5	86.7	86.1	86.0	90.3	88.7	68.4	82.5	87.3	88.1	87.2
New Single-Family Home Sales (thousands)	653	596	598	633	656	679	659	631	417	613	657	591	513
Percent Change - Year Ago	78.6	45.8	15.4	4.6	0.5	14.0	10.2	-0.2	-4.4	46.8	7.2	-10.0	-13.2
New Home Prices - Median ($1000's)	75.0	77.9	80.1	82.1	84.2	86.3	88.2	90.1	69.3	76.6	85.2	92.7	100.0
Percent Change - Year Ago	7.8	12.0	11.8	12.1	12.3	10.7	10.2	9.7	0.7	10.5	11.3	8.8	7.9
New Home Prices--Mean ($1000's, Quality Adjusted)	88.7	90.6	90.5	94.0	94.1	96.4	96.6	100.4	87.8	89.7	95.3	102.2	109.4
Percent Change - Year Ago	-0.1	3.4	5.4	5.6	6.1	6.4	6.7	6.8	2.8	2.2	6.2	7.2	7.0
New Mortgage Commitments ($ billions)	154.0	157.1	153.3	164.4	174.8	180.1	180.6	179.8	64.8	152.0	175.0	180.6	172.9
Percent Change - Year Ago	219 9	175.2	62.3	14.5	13.5	14.6	17.8	9.4	8.1	134.5	15.1	3.2	-4.3
Mortgage Debt Outstanding ($ billions)	1,724	1,776	1,802	1,834	1,875	1,922	1,969	2,019	1,628	1,746	1,900	2,100	1,995
Homeowners' Equity ($ billions)	2,536	2,633	2,728	2,825	2,925	3,016	3,105	3,191	2,396	2,594	2,968	3,308	3,611
Housing Inventory (millions)	91.6	92.0	92.4	92.8	93.1	93.5	93.9	94.3	90.6	91.8	93.3	94.9	96.3
Private Housing Starts (thousands)	1,683	1,793	1,621	1,645	1,710	1,810	1,741	1,660	1,059	1,698	1,727	1,629	1,566
Single-Family	1,104	1,069	996	1,027	1,085	1,167	1,145	1,095	663	1,062	1,106	1,071	1,043
Multi-Family	579	725	625	618	626	643	596	565	395	636	621	558	523
Mobile Home Shipments (thousands)	299	302	300	303	310	321	314	307	239	295	312	301	289
Rental Vacancy Rate (%)	5 5	5.8	5.7	5.6	5.5	5.5	5.5	5.5	5.3	5.7	5.5	5.5	5.5
Unsold New Homes (% of sales)	40.0	46.1	44.3	44.4	44.6	45.4	46.7	48.8	65.2	42.8	45.3	51.5	55.7
Office Vacancy Rate (%)<1>	11.7	11.7	11.9	11.6	11.2	10.6	10.0	10.0	8.0	11,5	10.8	10.0	9.5
Industrial Vacancy Rate (%)<1>	4.9	5.1	5.2	5.1	4.9	4.7	4.6	4.5	4.4	5.0	4.8	4.5	4.3
New Commercial Building Construction (% Ch Value)	-24.3	28.2	8.5	14.5	16.8	20.2	17.9	14.8	9.0	-3.0	13.4	15.0	8.5
New Industrial Building Construction (% Ch Value)	-34.9	2.1	10.3	8.5	8.9	10.2	15.5	8.3	2.5	-21.8	5.3	10.6	8.0
FINANCIAL MARKETS													
Personal Savings Rate (%)	4.0	4.9	5.2	5.7	5.5	5.4	5.5	5.9	5.8	4.9	5.5	6.1	6.2
Money Supply (M1: % change)(FED Target 5-9%)	12.8	9.2	1.9	6.2	6.6	6.7	6.0	4.8	6.5	10.8	6.3	5.5	4.8
Money Supply (M2: % change)(FED Target 7-10%)	10.5	8.1	8.4	10.8	9.5	9.4	8.1	7.5	9.4	12.5	9.4	8.0	7.3
Total Time and Savings Deposits (% change)	-4.9	4.2	11.9	11.6	11.2	12.7	11.6	8.8	7.1	-1.4	9.7	10.4	8.9
Selected Interest Rates (Percent)													
New Home Mortgage Commitment Rate	13.0	13.7	13.4	13.5	13.0	12.7	13.0	13.1	16.6	13.4	13.0	13.4	13.7
Real Mortgage Rate	9.8	10.4	8.7	7.3	7.1	6.9	6.5	7.3	12.2	9.3	7.0	7.6	7.6
Assumption Rate	10.0	10.1	10.2	10.2	10.2	10.1	10.1	10.2	10.5	10.1	10.2	10.2	10.4
Seller Take Back Mortgage Rate	10.6	10.6	10.9	10.9	10.9	10.8	10.8	10.9	11.7	10.8	10.9	10.9	11.1
Blended Rate	12.3	12.7	12.5	12.6	12.3	12.1	12.3	12.4	14.4	12.5	12.3	12.6	12.8
Corporate Bond Rate (AAA)	11.6	12.3	12.5	12.4	12.2	12.0	11.8	12.0	13.8	12.1	12.1	12.2	12.3
Government Bond Rate	10.1	11.3	11.1	10.7	10.3	10.2	10.6	10.9	13.0	10.6	10.5	11.0	11.8
Real Long-term Government Bond Rate	6.8	8.0	6.5	4.5	4.4	4.4	4.2	5.1	8.6	6.4	4.4	5.3	5.7
Federal Funds Rate	8.8	9.5	9.4	9.1	8.9	8.9	9.4	9.6	12.3	9.1	9.1	10.0	11.3
3 Month Treasury Bills	8.4	9.1	8.7	8.5	8.2	8.2	8.6	9.0	10.6	8.6	8.4	9.2	10.1
1 Year Treasury Bills	9.2	10.3	9.9	9.8	9.5	9.4	9.8	10.0	12.3	9.5	9.6	10.2	11.1
Commercial Paper Rate	8.6	9.3	8.8	8.8	8.5	8.6	9.1	9.5	11.9	8.8	8.7	9.8	10 8
Rate on Money Market Fund Shares	8.7	9.5	9.0	8.9	8.6	8.8	9.2	9.6	12.1	8.9	8.9	10.0	11.0
Prime Rate	10.5	10.8	11.0	10.7	10.4	10.2	10.6	10.8	14.9	10.8	10.5	11.2	12.0

<1> Historical data courtesy of Coldwell Banker.

Source: Model developed by the NATIONAL ASSOCIATION OF REALTORS, and Data Resources, Inc.
Assumptions and simulations by Dr. Jack Carlson, Hugh Graham, Kenneth Kerin, and Dick Peach.